

Message Text

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SUBJ: VENEZUELAN BUDGET BILL FOR 1975

1. FINANCE MINISTER HECTOR HURTADO SUBMITTED TO VENEZUELAN CONGRESS OCT 3 RECORD LEVEL BUDGET BILL FOR 1975 OF BS 41.5 BILLION (\$1 IS BS 4.3) COMPARED TO BS 14.6 BILLION CONTAINED IN BUDGET LAW FOR 1974. NEVERTHELESS, 1975 BUDGET PROVIDES FOR BS 327 MILLION LESS EXPENDITURES THAN ACTUALLY AUTHORIZED BY GOVT FOR 1974 BY SEP 30, THROUGH ADDITIONAL CONGRESSIONAL AUTHORIZATIONS. THE 185 PERCENT INCREASE IN BUDGET LEVEL FOR 1975 COMPARED TO ORIGINAL BUDGET LAW FOR 1974 REFLECTS GREATLY INCREASED REVENUE WHICH HAS RESULTED FROM DRAMATIC INCREASE IN TAX REFERENCE VALUES ON PETROLEUM EXPORTS. DECREASE IN BUDGET LEVEL FOR 1975 COMPARED TO TOTAL AUTHORIZATIONS IN 1974 REFLECTS VENEZUELAN GOVT DECISION TO CUT PETROLEUM PRODUCTION 10 PERCENT IN 1975.

2. THERE FOLLOWS SUMMARY COMPANISON OF 1975 BUDGET BILL
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WITH BUDGET LAW FOR 1974.

MILLIONS OF BOLIVARES		
	1974 BUDGET	1975 BUDGET BILL
INCOME	14,585	40,550
EXTERNAL SECTOR	9,875	34,790
PETROLEUM	9,555	34,267
INCOME TAX	6,476	24,516
ROYALTIES	2,899	9,262
EXCHANGE PROFITS	180	489
IRON INCOME TAX	182	369
FOREIGN CREDITS	138	154
INTERNAL SECTOR	4,710	5,760
DIRECT TAXES	2,161	2,396
INDIRECT TAXES	2,023	2,589
FEES	298	327
OTHER SOURCES	228	448

FUNDS ON RESERVE OF TREASURY

EXPENDITURES	14,585	41,526
ORDINARY		
CURRENT	8,701	13,855
PUBLIC DEBT	733	1,085
CAPITAL	5,151	9,083
SPECIAL PROGRAM	--	4,260
INVESTMENT FUND	--	13,243

3. EXPENDITURES OF BS 4,260 MILLION FOR SPECIAL PROGRAMS CONTAIN ELEMENTS OF PRESIDENT PEREZ'S NEW ECONOMIC POLICY FOR PROMOTING AGRICULTURE AND CERTAIN AREAS OF INDUSTRY AS WELL AS FORMER PROGRAMS FOR SUBSIDIZING AGRICULTURE IMPORTS AND PROMOTING EXPORTS. INCLUDED ARE:

BS 1,200 MILLION FOR AN AGRICULTURAL CREDIT FUND;
 BS 1,300 MILLION FOR AGRICULTURAL MARKETING CORPORATION;
 BS 100 MILLION FOR EXPORT FINANCING FUND; BS 1,000 MILLION FOR VENEZUELAN CORPORATION OF GUYANA (FOR EXPANSION OF ELECTRICITY DISTRIBUTION, STEEL AND ALUMINUM CAPACITY);
 AND BS 260 MILLION FOR SCHOLARSHIP PROGRAM.

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4. IN ADDITION TO TRADITIONAL BREAKDOWN BETWEEN CAPITAL AND CURRENT EXPENDITURES, BUDGET BILL PROVIDES FOLLOWING FUNCTIONAL BREAKDOWN: GOVT ADMINISTRATION BS 5,037 MILLION; SOCIAL FUNCTIONS BS 7,164 MILLION; ECONOMIC FUNCTION BS 10,023 MILLION; TRANSFERS TO REGIONAL ENTITIES BS 6,059 MILLION; AND VENEZUELAN INVESTMENT FUND BS 13,243 MILLION.

5. THERE FOLLOWS THE DISTRIBUTION OF EXPENDITURES
ACCORDING TO GOVT DEPARTMENT IN 1975 BUDGET BILL
COMPARED WITH BUDGET LAW OF 1974.

MILLIONS OF BOLIVARES

MINISTRY	BUDGET LAW 1974	BUDGET BILL 1975
INTERIOR RELATONS	2,676.4	8,343.1
FOREIGN RELATONS	110.2	305.6
FINANCE	2,075.1	16,498.8
DEFENSE	1,492.2	2,089.1
\$3;3)90.3,5	213.0	686.2
PUBLIC WORKS	2,299.0	2,940.8
EDUCATION	2,731.2	4,220.1
SANITATION AND SOCIAL		
ASSISTANCE	1,007.7	1,734.1
AGRICULTURE	930.7	2,784.0
LABOR	149.7	460.1
COMMUNICATONS	347.6	600.0
JUSTICE	183.7	456.2
MINES	131.5	277.6
UNOBLIGATED	35.8	130.7
TOTAL	14,584.5	41,526.4

6. INCREASE OF 695 PERCENT IN FINANCE MINISTRY'S APPROPRIATION
INCLUDES NEW VENEZUELA INVESTMENT FUND DESIGNED TO INVEST
PRIMARILY ABROAD EXCESS TETROLEUM REVENUE. THE APPROXIMATELY
200 PERCENT INCREASES IN THE APPROPRIATIONS OF THE
MINISTRIES OF AGRICULTURE AND INTERIOR REFLECT THE
ESTABLISHMENT OF CREDIT FUNDS FOR AGRICULTURE AND INDUSTRY.
IT IS NOTEWORTHY THAT THE APPROPRIATION FOR EDUCATION,
WHICH INCREASED 54 PERCENT IS MORE THAN TWICE THE APPROPRIA-
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TION FOR DEFENSE WHICH, NEVERTHELESS, INCREASED 40PERCENT.

7. THE 1975 PETROLEUM REVENUE ESTIMAE IS PREDICATED ON
AVERAGE TAX REFERENCE VALUE OF \$14.64 PER BARREL AND
PRODUCTION VOLUME OF 2.74 MILLION B/D. THE TEN PERCENT
REDUCATION IN PETROLEUM PRODUCTION PROJECTED FOR 1975
WOULD RESULT IN PETROLEUM REVENUE BEING BS 4,050 MILLION
LESS THAN THE BS 39,500 MILLIO N PROJECTED FOR 1974.

8. PETROLEUM COMPANIES ARE EXPECTED TO GROSS BS 59,165
MILLION IN 1975, OF WHICH BS 49,698.2 MILLION WOULD BE
DERIVED FROM EXPORT SALES; BS 7,445.4 MILLION FORM LOCAL
SALES; AND BS 433.6 MILLION FROM OTHER SOURCES. TOTAL
COSTS OF THE PETROLEUM COMPANIES ARE PROJECTED TO BE
BS 13,991.4 MILLION, INCLUDING BS 9,249.4 MILLION OFR

ROYALTY PAYMENTS, BS 1,844 MILLION FOR WAGES AND SALARIES,
BS 1,114 MILLION FOR AMORTIZATION AND DEPRECIATION
OF EQUIPMENT AND BS 1,784 MILLION FOR OTHER COSTS. AFTER
DEDUCTING THESE COSTS, TAXABLE INCOME WOULD BE BS 45,173.8
MILLION OF WHICH BS 26,200.8 MILLION WOULD BE PAID TO
THE GOVT AS INCOME TAX.

9. WHILE GOVT CONTINUALLY HAS CITED THE NECESSITY
OF VENEZUELA BECOMING LESS DEPENDENT FOR ITS
REVENUE ON PETROLEUM, THE 1975 BUDGET BILL INDICATES
THAT DEPENDENCY IS INCREASING RATHER THAN DECREASING.
THE BUDGET LAW FOR 1973 PROVIDED THAT 66PERCENT OF REVENUE
TO BE DERIVED FROM PETROLEUM WHILE 1975 BUDGET BILL
PROVIDES THAT 85PERCENT OF REVENUE WOULD BE DERIVED FROM
PETROLEUM.

10. IT IS SIGNIFICANT THAT CURRENT EXPENDITURES
BUDGETED FOR 1975 HAVE INCREASED 60PERCENT OVER THE 1974
LEVEL AND ALMOST REACH THE LEVEL OF TOTAL EXPENDITURES
IN THE 1974 BUDGET LAW. WHILE A SUBSTANTIAL PORTION OF
THE INCREASED OIL REVENUE IS DESTINED FOR CAPITAL
EXPENDITURES, THE INCREASE IN CURRENT EXPENDITURES
WOULD MILITATE AGAINST THE GOVT EVER AGAIN BEING
ABLE TO OPERATE WITH OIL REVENUE BASED ON 1973 PRICE
LEVELS. IN OTHER WORDS, THE BUDGET IS LOCKED IN TO A
HIGHER LEVEL OF OIL REVENUE WHICH WOULD BE VERY
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